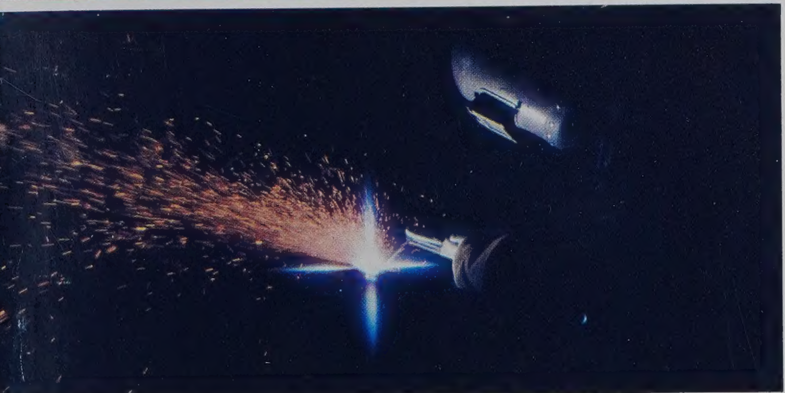
AGRA

AGRA INDUSTRIES LIMITED
1976 THIRTEENTH ANNUAL REPORT



AGRA Industries is a relatively young Canadian company which employs nearly 2,500 people across Canada and in the United States and operates in four business areas — engineering, foods, beverages and communications. The Engineering Group has developed several proprietary processes and is engaged in various design and construction activities for many types of structures and industrial process plants. The Foods Group is involved in meat packing, edible oil processing and production of specialty ingredients for the snack food and baking industries. The Beverage Group produces several nationally branded soft-drink lines and the Communications Group operates several cable television systems and a news magazine wholesale distribution company in western Canada.

In 1975, with total gross sales in excess of 150 million dollars, AGRA ranked 119th based on gross revenues in a list of the top 300 Canadian corporations. In terms of assets the company placed 170th in the tabulation and based on net earnings the company was in 164th position. AGRA is a public company with approximately 2,200,000 shares issued and held by nearly 2,000 shareholders.

Cover photos are described on page 17

AGRA
INDUSTRIES LIMITED

HEAD OFFICE: 1101 CN TOWERS, SASKATOON, CANADA

1976 THIRTEENTH ANNUAL REPORT

CONSOLIDATED FINANCIAL SUMMARY

	1976	1975
Sales	$149,831,095	151,278,624
Net Earnings	3,532,528	2,844,810
Earnings Per Share	1.62	1.34
Equity Per Share	10.18	9.06
Average Shares Outstanding	2,186,010	2,129,177
Return on Equity	17%	16%

GROUP PERFORMANCE

	1976	1975
FOODS		
Sales	$85,582,424	102,907,688
Net Earnings	1,366,748	601,281
ENGINEERING		
Sales	50,518,556	35,937,953
Net Earnings	1,201,459	1,671,777
BEVERAGE		
Sales	9,850,328	9,189,849
Net Earnings	575,960	313,597
COMMUNICATIONS		
Sales	3,879,787	3,243,134
Net Earnings	388,361	258,155

CONTENTS

Annual Meeting

The annual meeting of shareholders will be held at 2:30 p.m. on Friday, December 10, 1976, in the Dominion Ballroom, Sheraton Centre Hotel, 123 Queen Street West in Toronto. If you cannot be present please vote by proxy.

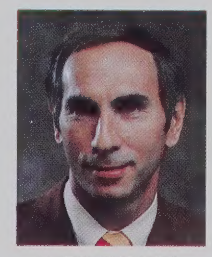
Sandisle Ann is a prototype artificial sand island which was recently successfully constructed in the English Channel five miles offshore in 50 feet of turbulent seas.

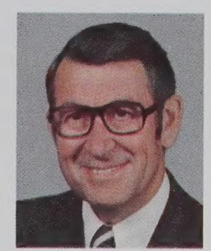
OFFICERS AND CORPORATE MANAGEMENT


D. S. MILAVSKY
Vice-President,
Engineering Group
(Marine)


P. KOZICKI
Vice-President,
Engineering Group
(Contracting)


R. A. SCHWIEDER
Vice-President,
Engineering Group
(Consulting)


H. TENENBAUM
Vice-President,
Foods Group


K. J. TAYLOR
Vice-President,
Beverage Group


S. R. TORCHINSKY
Co-ordinator,
Communications
Group


A. W. BEAN
Vice-President,
Special Investments


Corporate officers from left to right:
W. S. Kanigan (Taxation Manager), F. D. Redden (Controller),
R. G. Dittmer (Treasurer), A. C. Rankin (Director, International Marketing),
O. P. Ritter (Corporate Counsel)

BOARD OF DIRECTORS

D. H. C. BEACH	Consulting Engineer
J. S. BURTON	Saskatchewan Economic Development Corporation
S. J. HAMER	Senior Vice-President
P. KOZICKI	Vice-President, Engineering Group
R. E. LLOYD	Saskatchewan Economic Development Corporation
W. B. MANOLSON	President and Chairman of the Board, Cybermedix Ltd.
T. A. McLELLAN	Executive Vice-President and Secretary
C. ROLES	President, Smith-Roles Ltd.
R. A. SCHWIEDER	Vice-President, Engineering Group
H. TENENBAUM	Vice-President, Foods Group
B. B. TORCHINSKY	President and Chairman of the Board

COMPANY AUDITORS

Winspear Higgins Stevenson and Co.,
Saskatoon, Saskatchewan

REGISTRAR AND TRANSFER AGENT

Common shares:
Canada Permanent Trust Company
Convertible Debentures:
Canada Trust Company

SECURITIES EXCHANGE LISTING

Toronto Stock Exchange
Montreal Stock Exchange

REPORT TO THE SHAREHOLDERS

B. B. TORCHINSKY
Chairman and
President

T. A. McLELLAN
Executive Vice-President
and Secretary

Our thirteenth year of operations was completed on July 31, 1976 and I am pleased to report that this was the best year AGRA has ever experienced. Fiscal 1976 was the first year in our history during which we were not heavily involved with commodity markets because last year we sold our rapeseed processing plant in Nipawin and our margarine packaging plant in Toronto.
Our meat packing division, Gainers Limited, bolstered by substantial export contracts, was particularly successful in spite of a weak domestic market created by a severe shortage of hog production and generally depressed beef prices. Furthermore, most other divisions of our Foods Group such as Research Foods, W. J. Lafave & Sons and AGRA Foods also contributed to the excellent results for the year.

The Engineering Group enjoyed a reasonably successful year, however the record earnings anticipated in the early part of the year failed to materialize at year's end mainly because certain divisions were seriously affected by special factors such as long and costly general construction strikes and a general weakening in the economy of Canada, precipitated primarily by sudden and severe government moves.

Both our Beverage and Communications Groups turned in excellent performances for the year accompanied with record operating results. The process of rationalizing and consolidating

its production facilities, begun several years ago, has enabled our Beverage Group to produce a marked increase in performance over all previous years. Also, expansion of the cable television systems and the magazine wholesale distribution operations continued in our Communications Group and resulted in another record year, which has been a regular annual occurrence in this group since it began operations.

The consolidated results of fiscal 1976 produced total sales of $149,831,095 compared with $151,278,624 in the previous year. Earnings for the year after allowing for full tax reached $3,532,528 or $1.62 per share (based on 2,186,010 shares outstanding) compared with $2,844,810 or $1.34 per share last year (based on 2,129,177 shares outstanding). The 1976 results include $115,862 (or 5 cents per share) of extraordinary earnings and compares with $352,471 (or 17 cents per share) of extraordinary earnings included in the 1975 results.

Two new companies were purchased during the year for our Engineering Group. These were Meredith Drilling Company Inc. located in Denver and Coast Steel Fabricators Ltd. in Vancouver. Both companies performed very well in the short time since we acquired them and Meredith Drilling in particular exceeded all our expectations. I look forward to continued exemplary performances from both of these fine companies in the future. At midyear we also purchased a 50 percent interest in the rights to a unique new patented concept to construct artificial sand islands in the ocean. Such islands may provide a very economical substitute for conventional concrete or steel platforms used to support offshore oil well drilling rigs. A prototype island was recently completed successfully in the Christchurch Bay area of the English Channel in southern England and this construction technique shows great promise indeed.

Additional exciting new developments continued subsequent to our year-end.
For example, the Canadian Radio-television and Telecommunications Commission recently granted a license to install and operate a unique all-news FM radio network across Canada to a company in which AGRA will have an approximate 50 percent interest. The network license provides for the establishment of new radio stations in eleven major cities across Canada, all of which will be installed over the next three years. Another example is the purchase early in the new year of all the outstanding shares of Beer Precast Concrete Limited in Toronto. This company has been established for 20 years as a producer of precast concrete structural and architectural units, and will provide a major and highly respected addition to our Engineering Group.

Financing for our new acquisitions and our new expansion programs will be obtained partly from earnings and partly from the placement of long-term debentures. In addition to nearly seven million dollars of cash flow generated last year, we are presently arranging for new long-term debentures amounting to ten million dollars to be amortized over 15 years. Of this amount, six million dollars will be used to refinance existing shorter term loans and four million dollars will be available as new money to support our current expansion programs as well as our recent acquisitions.

In the thirteen years since AGRA's incorporation, we have been tested by a wide and severe range of economic conditions. We have successfully weathered ups and downs in the stock market, the commodities market — virtually in every market in which we participate — and yet we have undergone substantial growth in size and stability despite such rigorous times. I believe that our resilience has been due in large part to the diversity of our operations. Over the years, first one and then another of our principal operating groups led in contributing to our growth, with the result that as a whole we have achieved a consistent record of performance — an achievement which we can and will continue to match and to improve upon in the future.

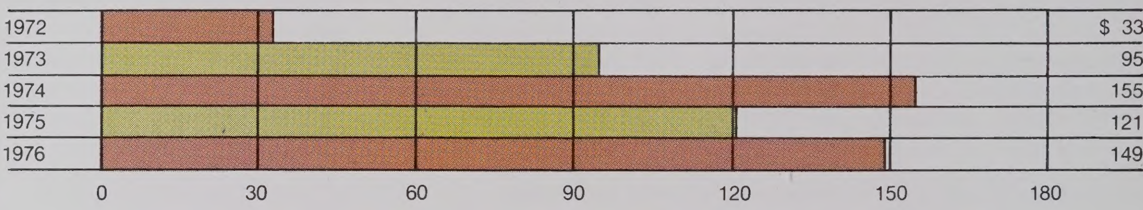
Submitted on behalf of the Board,

B. B. Torchinsky

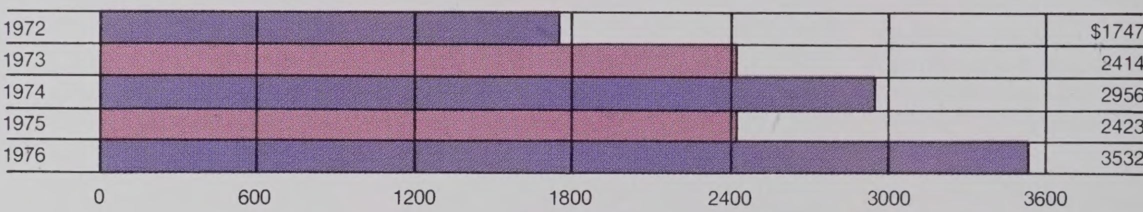
B. B. TORCHINSKY
Chairman and President

Saskatoon
October, 1976

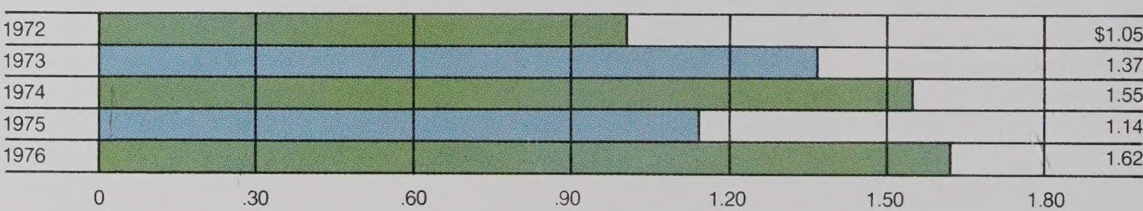
SALES — MILLIONS OF DOLLARS



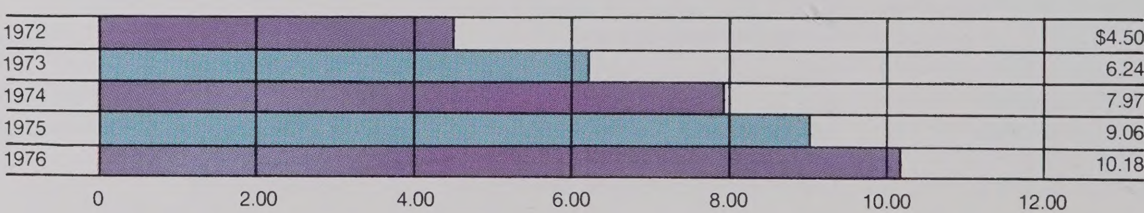
NET EARNINGS — THOUSANDS OF DOLLARS



EARNINGS PER SHARE — DOLLARS



EQUITY PER SHARE — DOLLARS



Note: 1975 statistics are based on continuing operations.

Fabrication of Cambrian's patented "CAMPRO" edible oil deodorizer recently sold to Best Foods Division of CPC International Inc. (producers of Mazola Oil) is well advanced.

Ten Year Review

EARNINGS STATISTICS	1976
Revenues	$149,831,095
Depreciation	2,242,105
Pre-Tax Earnings	6,318,784
Income Taxes	2,786,256
Net Earnings	3,532,528
Cash Flow	6,767,819
Dividends Paid	685,687
BALANCE SHEET STATISTICS	
Current Assets	$ 30,603,645
Current Liabilities	23,536,967
Working Capital	7,066,678
Fixed Assets — Net	22,610,704
Long-Term Debt	15,153,223
Shareholders' Equity	22,610,191
COMMON SHARE STATISTICS	
Earnings per Share	$ 1.62
Cash Flow per Share	3.10
Dividends per Share	.32
Equity per Share	10.18
Return on Equity (average)	17%
OTHER STATISTICS	
Average Shares Outstanding	2,186,010
Number of Shareholders	1,900

1975	1974	1973	1972	1971	1970	1969	1968	1967
*121,104,857	154,685,149	94,613,005	32,542,237	20,945,938	14,388,899	4,889,355	2,884,621	3,906,112
*1,594,556	1,692,307	1,163,237	647,896	484,614	315,527	58,782	43,273	43,079
*4,820,837	5,270,429	4,252,073	3,258,395	2,392,547	758,361	274,022	194,919	165,433
*2,397,730	2,314,270	1,837,991	1,511,705	1,100,165	232,984	133,225	90,793	69,707
*2,423,107	2,956,159	2,414,082	1,746,690	1,292,382	525,377	140,797	104,126	95,726
*5,439,024	5,774,501	4,550,487	3,373,114	2,601,772	933,901	337,325	225,428	208,512
553,570	397,348	210,850	150,493	97,204	nil	51,638	41,565	nil
28,860,017	39,172,620	22,585,054	11,184,643	7,076,106	3,462,991	1,189,655	739,623	610,595
26,142,108	37,728,360	20,817,298	9,001,735	6,279,055	3,895,026	819,778	447,821	481,560
2,717,909	1,444,260	1,767,756	2,182,908	797,051	(432,035)	369,877	291,802	129,035
18,492,437	25,136,753	21,149,650	12,752,947	8,177,940	5,165,317	2,940,064	810,745	725,886
11,661,885	15,646,934	17,434,139	10,032,670	3,993,232	2,839,583	1,565,532	302,200	323,000
19,316,386	16,946,808	11,132,809	7,529,954	5,459,833	3,105,092	2,020,998	691,914	501,517
*1.14	1.55	1.37	1.05	.83	.36	.12	.12	.09
*2.55	3.04	2.58	2.03	1.68	.64	.27	.27	.25
.26	.21	.12	.09	.06	nil	.05	.05	nil
9.06	7.97	6.24	4.50	3.37	2.10	1.65	.78	.60
*13%	21%	26%	27%	30%	19%	10%	17%	17%
2,129,177	1,896,507	1,764,390	1,664,541	1,548,570	1,449,040	1,229,090	831,296	831,296
2,000	1,950	1,650	1,600	1,550	1,450	1,100	650	650

*1975 statistics are based on continuing operations.

AUDITORS REPORT

To the Shareholders

We have examined the consolidated balance sheet of Agra Industries Limited and its subsidiaries as at July 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at July 31, 1976 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winspear Higgins Stevenson & Co.
Chartered Accountants

SASKATOON, Canada
September 30, 1976

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

Year ended July 31, 1976

	1976	1975
Revenue		
Sale of products, contracts and fees (Note 11)	$149,831,095	151,278,624
Expenses		
Cost of sales and services, selling, general and administrative (Note 13)	139,300,228	141,817,544
Depreciation	2,242,105	1,787,531
Interest on long-term debt	1,390,262	1,604,716
Other interest	819,867	1,187,746
	143,752,462	146,397,537
Earnings before income taxes and extraordinary items	6,078,633	4,881,087
Income taxes	2,660,958	2,374,189
	3,417,675	2,506,898
Minority interest	1,009	14,559
Net earnings before extraordinary items	3,416,666	2,492,339
Extraordinary items (Note 12)	115,862	352,471
Net earnings	$ 3,532,528	2,844,810
Earnings per share		
Before extraordinary items	$ 1.57	1.17
After extraordinary items	$ 1.62	1.34

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended July 31, 1976

Balance, beginning of year	$ 10,865,613	8,574,373
Add net earnings	3,532,528	2,844,810
	14,398,141	11,419,183
Less: dividends paid	685,687	553,570
tax paid on undistributed income	121,404	—
	807,091	553,570
Balance, end of year	$ 13,591,050	10,865,613

The accompanying notes form part of these statements.

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

July 31, 1976

ASSETS	1976	1975
Current		
Accounts receivable	$17,811,612	17,091,109
Inventories and contracts in progress	12,063,839	10,955,168
Prepaid expenses	445,457	312,004
Other	282,737	501,736
	30,603,645	28,860,017
Investments		
Equity in non-consolidated subsidiaries (Note 3)	938,735	763,670
Other — at cost	1,150,307	1,031,808
	2,089,042	1,795,478
Fixed		
Land	705,529	704,340
Buildings	5,852,470	4,958,947
Equipment	28,989,891	23,458,393
	35,547,890	29,121,680
Less accumulated depreciation	12,937,186	10,629,243
	22,610,704	18,492,437
Other		
Excess cost of shares in subsidiaries	8,471,206	8,614,493
Deferred charges	638,345	397,052
	9,109,551	9,011,545
	$64,412,942	58,159,477

On Behalf of the Board
B. B. TORCHINSKY — Director
T. A. McLELLAN — Director

The accompanying notes form part of this statement.

LIABILITIES	1976	1975
Current		
Bank indebtedness (Note 4)	$ 6,524,506	8,179,877
Accounts payable	11,623,268	11,879,648
Income taxes payable	824,164	574,753
Current portion of long-term debt	3,165,598	2,996,957
	22,137,536	23,631,235
Deferred income taxes (Note 8)	1,399,431	2,510,873
	23,536,967	26,142,108
Long-term (Note 6)	15,153,223	11,661,885
Minority interest	14,342	13,333
Deferred income taxes (Note 8)	3,098,219	1,025,765
	41,802,751	38,843,091
SHAREHOLDERS' EQUITY		
Share capital (Note 9)		
Authorized		
5,000,000 Class A common voting, convertible shares without nominal or par value		
5,000,000 Class B common voting, convertible shares without nominal or par value		
Issued and outstanding		
1,608,914 Class A shares		
612,577 Class B shares		
2,221,491	9,019,141	8,450,773
Retained earnings	13,591,050	10,865,613
	22,610,191	19,316,386
	$64,412,942	58,159,477

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended July 31, 1976

	1976	1975
Source of working capital		
Operations		
Net earnings	$ 3,532,528	2,844,810
Non-cash charges (credits)		
Depreciation	2,242,105	1,787,531
Amortization of deferred charges	43,743	389,400
Amortization and write-down of excess cost of shares in subsidiaries	34,489	546,540
Deferred income taxes — non-current portion	2,062,915	(2,277,758)
Gain on sale of fixed assets and goodwill	(124,320)	(4,457,802)
Other	121,732	3,610
	7,913,192	(1,163,669)
Proceeds from		
Investments	222,568	—
Disposal of fixed assets	457,743	13,803,592
Disposal of goodwill	—	499,033
Long-term debt	5,919,521	2,640,620
Issue of share capital	568,368	78,338
Other	127,598	14,559
	15,208,990	15,872,473
Use of working capital		
Investment in non-consolidated subsidiaries	300,000	766,880
Investments — other	369,932	1,031,808
Purchase of		
Fixed assets	5,824,829	4,988,038
Fixed assets in companies acquired	858,612	—
Deferred charges	295,960	49,449
Excess cost of subsidiaries and purchased goodwill	10,000	483,865
Retirement of long-term debt	2,393,797	6,625,669
Payment of dividends	685,687	553,570
Tax paid on undistributed income	121,404	—
Decrease in minority interest	—	99,545
	10,860,221	14,598,824
Increase in working capital	4,348,769	1,273,649
Working capital, beginning of year	2,717,909	1,444,260
Working capital, end of year	$ 7,066,678	2,717,909
Represented by		
Current assets	$30,603,645	28,860,017
Current liabilities	23,536,967	26,142,108
	$ 7,066,678	2,717,909

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — July 31, 1976

1. Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries other than as outlined in Note 3. The equity method of accounting is applied to investment in other companies.

Inventories

Inventories used in determining cost of sales are priced at the lower of cost and net realizable value. Engineering and construction contracts in progress are recorded at estimated realizable values.

Fixed Assets

Land, buildings and equipment are carried at cost. Depreciation of buildings and equipment has been provided in the accounts on a straight-line basis at rates estimated to provide for the amortization of the cost of the buildings and equipment over their estimated useful life.

Profits and losses on the sale of fixed assets are included in earnings from operations unless of an extraordinary nature.

Excess Cost of Shares of Subsidiaries Acquired

For those companies acquired subsequent to August 1, 1973, the excess of the purchase price over the net fair value of identifiable assets is being amortized on a straight-line basis over forty years.

For those companies acquired prior to August 1, 1973, the excess of the purchase price over the net book value of the underlying assets at date of acquisition is not being amortized, since in the opinion of management, no diminution of value has occurred.

Deferred Charges

Deferred financing, development and other similar costs are amortized over the period of the related obligation or over a reasonable pre-determined period.

Deferred Income Taxes

The Company records the estimated future tax benefit from operating losses, when in the opinion of management, the realization of such benefits is virtually assured. In addition, the Company records the estimated future tax liability that may arise as a result of timing differences between recording for accounting purposes and recording for income tax purposes.

2. Acquisitions

During the year the Company acquired the following:

100% of the outstanding shares of Coast Steel Fabricators Ltd. for $554,400 cash and agreements payable in the amount of $375,000, for a total consideration of $929,400.

50% equity in Integrated Satellite Information Services Ltd. for $50,000 cash.

100% of the outstanding shares of Meredith Drilling Co. Inc. for $260,000 cash and agreements payable in the amount of $640,000, for a total consideration of $900,000.

3. Non-consolidated Subsidiaries

The Company is the registered owner of 75% of the voting shares of Mainline Cablevision of Kamloops Ltd. However, as a condition of the license issued by the Canadian Radio-television and Telecommunications Commission, the Company must divest itself of its equity in excess of 50% within a six year period.

Mainline Cablevision of Kamloops Ltd. is a public company, incorporated under the laws of the Province of British Columbia and is listed on the Vancouver Curb Exchange.

The Company has a 50% interest in each of Nipawin Edible Oils Limited and Integrated Satellite Information Services Ltd.

These investments are accounted for on an equity basis.

4. Bank Indebtedness

The bank indebtedness includes:	1976	1975
Secured bank loans	$ 5,976,098	7,337,500
Cheques issued and uncashed	548,408	842,377
	$ 6,524,506	8,179,877

The bank loans are secured by general assignments of accounts receivable and inventories.

5. 6-1/2% Convertible Subordinated Debentures

During 1972 the Company issued $3,000,000 of 6-1/2% Convertible Subordinated Debentures to mature March 15, 1992. The debentures are unsecured, direct obligations of the Company subordinated to the senior indebtedness of the Company.

The debentures are convertible until March 15, 1992 on the basis of 76.923 common shares per $1,000 principal amount of debentures, equivalent to a conversion price of $13 per share.

The debentures are redeemable at any time at the option of the Company at their principal amount plus accrued interest provided that the average price at which the common shares of the Company have traded in the 30 day period prior to giving notice of redemption is at least 120% of the conversion price. The Company covenants that so long as any debentures remain outstanding it will use all reasonable effort to purchase in the market at such time or times in each 12 month period ending March 15, a total of at least $90,000 principal amount of debentures outstanding at a price not exceeding 100% of the principal amount plus accrued interest. In the event debentures are not available for purchase in any 12 month period, the obligation is nullified in that period.

During the year ended July 31, 1976, the Company redeemed $93,000 of these debentures.

6. Long-Term Debt

	1976	1975
Mortgages and chattel mortgages payable with interest rates averaging 11% (maturity dates from 1977 to 1987)	$ 3,063,182	1,912,112
Notes, agreements and loans payable with interest rates averaging 11.5% (maturity dates from 1977 to 1986)	12,618,639	10,016,730
6-1/2% Convertible Subordinated Debentures (Note 5) ..	2,637,000	2,730,000
	18,318,821	14,658,842
Less current portion	3,165,598	2,996,957
	$15,153,223	11,661,885

7. Dividend Restrictions

The Company is subject to certain restrictions on the payment of dividends contained in the Trust Deed providing for the 6-1/2% Convertible Subordinated Debentures and a loan agreement with a Canadian chartered bank.

Under the terms of the Anti-Inflation Act, dividend payments for 1977 may be restricted to $.35 per share.

8. Deferred Income Taxes

Deferred income taxes recoverable in the amount of $1,572,273 recorded as a result of operating losses have been netted against deferred income taxes payable of $6,069,923. The amount of the recovery deemed current is $815,497.

9. Share Capital

During the year the shareholders approved the restructuring of the Company's share capital into 5,000,000 Class A and 5,000,000 Class B convertible, fully inter-changeable common shares.

During the year the Company issued 89,340 Class A shares for cash.

The Company has reserved 202,846 Class A common shares for conversion of the 6-1/2% Convertible Subordinated Debentures.

The Company has, pursuant to an agreement with a lendor, granted a pre-emptive right to the lendor to purchase additional shares in the Company. During the year, 11,080 Class A shares were issued under this agreement for cash.

10. Stock Option Plan

Under the Company's stock option plan, dated November 27, 1969, options for 27,550 common shares of the Company have been granted to employees of the Company as at July 31, 1976. The plan provides that options are exercisable for a five year period and the price at which the options can be exercised may be no less than 90% of the market value of such shares at the time the options are granted. As of July 31, 1976, 12,400 shares have been issued to employees of the Company under the plan.

11. Segmented Revenue

Revenue by classification of business and percentages of the total were as follows:

	1976	%	1975	%
Foods Group				
Continuing operations	$ 77,390,908	51.7	72,733,921	48.1
Discontinued operations (Note 13)	8,191,516	5.5	30,173,767	19.9
Engineering Group	50,518,556	33.7	35,937,953	23.8
Beverage Group	9,850,328	6.6	9,189,849	6.1
Communications Group	3,879,787	2.5	3,243,134	2.1
	$149,831,095	100.0	151,278,624	100.0

12. Extraordinary Items

	1976	1975
Gain on sale of fixed assets (net of income taxes)	$ 58,160	107,031
Loss on investments	—	(176,263)
Gain (loss) on discontinued operations (net of income taxes) (Note 13)	57,702	(3,374,012)
Gain on sale of fixed assets and goodwill of discontinued operations (net of income taxes)	—	3,795,715
	$115,862	352,471

13. Discontinued Operations

During the year ended July 31, 1975 the Company sold and discontinued certain of its Food operations. The excess of expenses over revenues in 1975 was reflected as extraordinary in the consolidated statement of earnings. Accordingly, in 1976 the excess of revenue over expenses, from what remains as discontinued operations, has been reflected as extraordinary in the consolidated statement of earnings.

14. Remuneration to Directors and Senior Officers

Remuneration to directors and senior officers for the year amounted to $720,317.

15. Lease Commitments

Minimum annual rental expense under long-term leases, the longest of which will expire in 1994, for the five succeeding years average approximately $470,000 per annum.

16. Contractual Obligations and Commitments

Mainline Cablevision of Kamloops Ltd.

During the year ended July 31, 1975, the Company acquired 75% of the outstanding shares of Mainline Cablevision of Kamloops Ltd. with the approval of the Canadian Radio-television and Telecommunications Commission. Agra is committed to reduce its ownership of shares to 50% within a six year period.

The Company is a 50% owner in a corporate entity, Nipawin Edible Oils Limited. Agra is committed to guarantee 50% of any loans incurred by this company.

17. Pending Legal Proceedings

Agra Industries Limited and its subsidiaries are defendants in lawsuits involving various amounts. The results of these actions should not have any material effect on the financial position of the Company.

18. Net Earnings per Share

	1976	1975
No dilution	$ 1.62	1.34
Full dilution	1.54	1.21

The fully diluted net earnings per share reflect earnings that would have been reported had all conversion rights been exercised.

19. Transactions Subsequent to Year-End

The Company acquired 100% of the outstanding shares of Beer Precast Concrete Limited for $1,900,000 in cash, 144,630 Class A shares of the Company, and promissory notes for $1,000,000 for a total consideration of $3,900,000.

The Company has arranged additional long-term financing in the amount of $2,600,000.

20. Anti-Inflation Controls

The Company is subject to the Anti-Inflation Act brought in by the Federal Government, October 14, 1975. This Act regulates profit margins, wages and dividends for a period of three years.

ENGINEERING GROUP

MANAGEMENT REPORTS ON OPERATIONS FOR 1976

Our Engineering Group is engaged in the design and construction supervision of industrial process plants, recreational facilities, highways and building foundations. This includes geotechnical studies and the construction of deep pile and caisson foundations on land and water, as well as research and development work in environmental systems, food and other material processing equipment.

A record sales volume of $50,518,556 was achieved in 1976, however net earnings were a disappointing $1,201,459 after allowance for full taxes. This compares with total sales last year of $35,937,953 which resulted in after tax earnings of $1,671,777. There were several reasons for the reduction in earnings and most of them affected our Western Caissons and Greenlees Piledriving divisions. Items such as long and costly general construction strikes in Quebec and British Columbia, excessive competition created by a general weakening and uncertainty in the Canadian economy, and generally poor and wet weather conditions in eastern Canada which adversely affected several of our jobs last winter and spring, are some of the problems which contributed to the reduced earnings.

On the other hand, our consulting divisions performed very satisfactorily during the year — particularly the Cambrian Engineering Group, whose sales volume increased about 22% and whose earnings increased almost 40% over last year. These excellent results were achieved from several areas of endeavor including the first major sale to a prominent U.S. food processor of our patented "CAMPRO" edible oil deodorizer, the pilot operation of our patented "CAPSUL" sulphur pelletizing plant for a major oil company in western Canada, and the energetic sale of our consulting engineering and laboratory testing services to the industrial, recreational and construction industries across Canada. Both our geotechnical engineering division, recently renamed BBT Geotechnical Consultants Ltd. and our highways and municipal roads engineering division, Torchinsky Consulting (1976) Ltd. have also enjoyed an excellent and busy year in western Canada and have contributed very well to sales volume and to earnings.

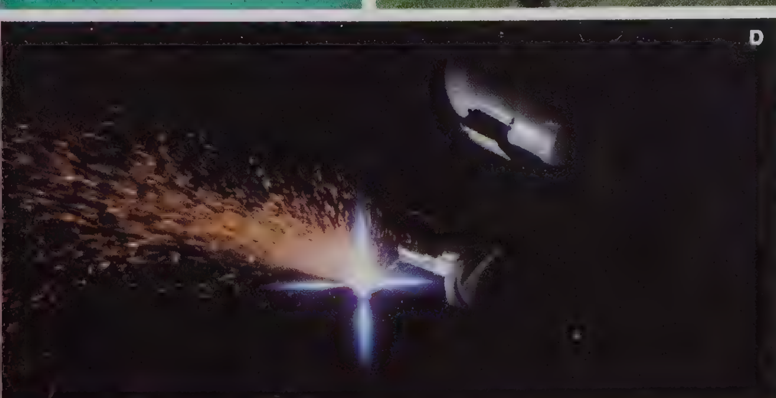
A. [illegible]

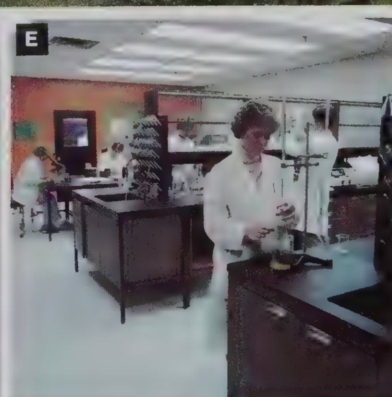
B. [illegible]

C. [illegible]

D. [illegible]

E. [illegible]





During the year we completed the purchase of two new companies, namely Meredith Drilling Company Inc., one of the largest caisson contractors in Denver and Coast Steel Fabricators Ltd., a well established steel fabricator in Vancouver. In the short time since acquisition of these companies was completed, both have performed excellently. Coast Steel has already contributed some earnings in spite of a very depressed economic situation in British Columbia, and Meredith Drilling has exceeded all our expectations in both business activity and earnings.

At midyear we purchased a 50 percent interest in Sandisle Structures Limited which has the world rights to a unique new patented concept to construct artificial islands of sand in the ocean. Such islands could be used instead of conventional platforms to support offshore oil drilling rigs, mining or other operations. A prototype island was recently constructed successfully in the English Channel to demonstrate some of the advantages of this construction technique which include speed and economy of construction as well as certain ecological benefits. While this endeavor is still in the development stage, nevertheless the technique shows great promise indeed.

Subsequent to our year-end, we purchased all the shares of Beer Precast Concrete Limited. This fine company has been established for over 20 years in Toronto and is one of the largest Ontario producers of precast structural and architectural concrete building components such as beams, columns and wall panels. A substantial portion of the new buildings which make up the exciting skyline of Canada's largest cities (including Toronto's famous City Hall) have been constructed with precast components produced by Beer Precast. Furthermore, Beer has successfully developed a sizeable export market for its products in several major American cities, all of which should make this one of the best acquistions in our history.

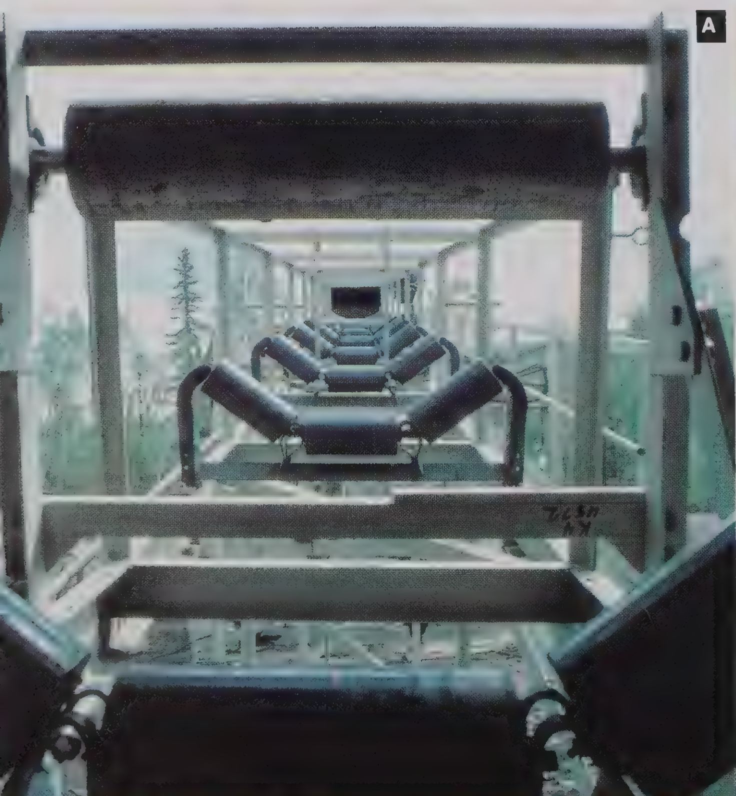
Because the economic climate in Canada today is very confused and depressed, we are attempting as much as possible to focus the surplus capacity of our Engineering Group outside of Canada, where many opportunities are available. Our purchase of Meredith Drilling in Denver, the establishment of a Western Caissons office in San Francisco, and the development of a joint

A.

B.

C.

D.


A

B


C


D

venture agreement in the Middle East for foundation construction in this rapidly developing section of the world, are all part of our efforts to capitalize on our special expertise regardless of where the opportunities exist. Even the decision to purchase Beer Precast was finalized only after we determined that a very bright future exists for this company based on its potential export markets. While we look forward to a return to stable economic and political conditions in Canada, at the same time we intend to maintain our growth momentum by taking full advantage of opportunities wherever they exist for us in the world.

FOODS GROUP

The Foods Group as a whole was characterized by a most encouraging performance during a year in which a distinct measure of stability and efficiency became apparent in our operations. This is particularly obvious when compared with the erratic situations of previous years, wherein seed, oil and meal futures markets dominated the operating results of this group. With the elimination of these factors last year by selling our rapeseed crushing plant in Nipawin and our margarine packaging plant in Toronto, the Foods Group returned to a much more controllable and manageable operation, and this fact is substantiated by the excellent operating results for the year.

Total sales for the year dropped to $85,582,424 compared with $102,907,688 last year, due primarily to the reduction in oilseed processing activities which resulted when we sold our Nipawin and Toronto plants. However, in spite of the marked sales decrease, earnings reached an encouraging $1,366,748 after allowing for full tax compared with $601,281 last year.

The largest single division of our Foods Group is Gainers Limited, a large meat packing and processing operation based in Edmonton. In spite of a generally difficult year in the meat packing industry, Gainers was able to maintain the very satisfactory results pattern it had established in recent years, highlighted by a three year renewal of sizeable contracts to supply pork for export markets. The effects of a steady escalation in operating costs have been offset to a large extent by increased sales and by concentrating on the

A. Brochure used by Gainers in Japan for their export business development is printed in English and in Japanese

B. Highly concentrated extracts are mixed with liquid sugar water and other ingredient to prepare bottling syrup for soft drink production in the Polar-Blue Label plant in Calgary

C. Quality control is carefully maintained in the Polar-Blue Label plant laboratory at all times


A

社長あいさつ

ゲィナーズ社の歴史は、カナダの"偉大なる北西部"開拓史と、多彩にからみ合っています。なかでも、太平洋岸より二番目の内陸部の州・アルバータの開発史とは、特に、密接な関係を持っています。わが社は、1891年、ジョン・ゲィナーにより創立されました。"ゴールド・ラッシュ"に狂喜した1890年代、わが社の初期製品（保蔵肉）の最初の顧客中には、おそらく、クロンダイク地方をめざした鉱山師達の一行が含まれていたことでしょう。

現在、わが社の顧客は、世界の人々です。アルバータの首都・エドモントンにあるわが社の食肉加工工場は、完全な近代的設備をそなえ、500人のスタッフを擁しています。そして、輸出面での活動強化に応じ、われわれは、現在、年商5000万ドルに及ぶ売上げ高を誇っています。

ゲィナーズは、自社製品の販路拡張のため、新市場の調査・開発に積極的に取り組み、また絶えず、現在の輸出パートナーとの間で、健全な取引関係の拡大・充実に努めています。一方、国内的には、第一次生産者を励まし、援助して、効率的かつ持続的な生産増加方法を開発しています。

われわれの目標は、全ての顧客に対し、秀れた製品を、益々多く提供し続けること、さらに、高級品メーカーとしてのわが社の名声を高めている、サービス面での充実度と価格面での誠実さを守ること、この二つを当面の目標としています。

あらゆる意味において、われわれにとっては、顧客とは、世界中の人々を意味しています。

敬　具
P．E．ギブソン

From the President...

The history of Gainers' Ltd. is colorfully intertwined with the opening and development of Canada's great Northwest, and particularly Alberta, second province inland from the Pacific Ocean.

Established in 1891 by John Gainer, some of the first customers for our cured meats were the prospectors on their way to the Klondike during the Gold Rush of the 90's.

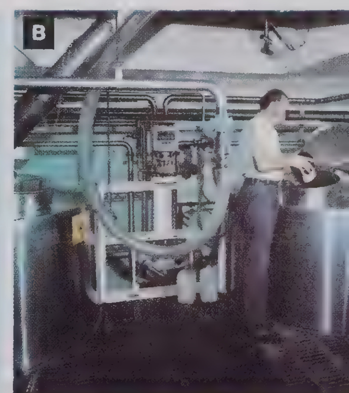
Today, our customer is the world. Our totally integrated meat processing plant, located in Edmonton, Alberta's capital city, employs a staff of five hundred. With increased activity on the export scene, we are currently enjoying sales in excess of $50 million annually.

Gainers' is aggressively searching out and developing new markets for our products and continually expanding our sound business relationships with present export partners. At home, this means encouraging and assisting our primary producer in researching and developing methods of efficiently and consistently increasing production.

It is our objective to continue to provide all our customers with quality products in increasing quantities, and to observe the principles and financial integrity and reliability of service that have earned our company its reputation as a quality manufacturer.

In every sense, our customers mean the world to us.

Sincerely,
P. E. Gibson


B


C

more profitable products such as highly processed meat lines which have enjoyed excellent acceptance in western Canada.

Research Foods, located in Toronto, is an industrial supplier of specialized ingredients to food processors, such as dehydrated cheese powders, spice and seasoning products and vitamin additives. W. J. Lafave & Sons processes and distributes, from its modern plant near Montreal, a large range of specialty ingredients such as shortenings, fats, oils and chocolate products to food processors primarily in the baking industry. Both of these companies have enjoyed an excellent level of performance during the year, supported by a strong program of new product research and development. One example is Lafave's recent development through one of its subsidiaries, Magnani Inc., of a new canned ravioli line and spaghetti sauces which are proving to be very popular.

In western Canada, AGRA owns a half interest in Nipawin Edible Oils Limited which leases and operates the edible oil refinery in Nipawin. We also operate AGRA Foods in Vancouver and Nipawin, which manufactures margarine, vegetable oils and shortenings for the consumer and industrial market. This company has also shown a substantial improvement over last year in operating results.

Our Foods Group now consists of distinct operating groups with autonomous management, who are well organized to operate efficiently and effectively. With operating guide lines clearly established to maximize existing opportunities, we have every reason to be optimistic for 1977 and for the future.

BEVERAGE GROUP

AGRA's Beverage Group manufactures several nationally branded soft-drink lines in Calgary and Lethbridge and distributes them throughout southern Alberta. These lines include Pepsi-Cola, Seven-Up, Crush and Canada Dry products. In addition, we operate a canning line in Calgary which produces all types of soft-drink brands and flavors on a custom basis for delivery throughout Alberta and into some parts of British Columbia. The Beverage Group also administers the operation of a successful depot system throughout the province of Alberta for collection of soft-drink containers as well as wine

A. [illegible] installation for the Swartz Bay ferry slip [illegible] was completed by our [illegible] division.

B. [illegible]

C. [illegible] this plant will manufacture all our soft drink products for southern Alberta.

and liquor bottles for recycling purposes.

Fiscal 1976 proved to be a record breaking year for our Beverage Group both in sales and earnings. Total sales increased from $9,189,849 in 1975 to $9,850,328, and after tax earnings increased from $313,597 last year to $575,960 in 1976. This record performance is even more impressive when one realizes it was accomplished during a year which involved extreme advertising and pricing rivalry with our major competitor. The increase in volume and earnings attained in face of such competitive activity was due to the excellent performance of our entire staff, both in production and particularly in sales.

During the year we completed an 18,000 square foot addition to our Calgary plant, which makes the total floor area of this plant slightly under 80,000 square feet — nearly two acres all under one roof. The building addition was the first step in consolidating all production for southern Alberta in our Calgary plant. In the new year we will install a new bottling line, which together with our existing bottling and canning lines in Calgary, will provide excellent production flexibility. This installation will enable us to close manufacturing operations in Lethbridge, but we will continue to warehouse and sell from our existing Lethbridge plant.

Our Contain-A-Way operation continues to serve the Alberta soft-drink industry and the Alberta Liquor Control Board with 185 collection depots and two major sorting and processing plants in Calgary and Edmonton. The yearly input of containers continues to increase steadily and we have recently increased the scope of this operation to include provision of all its trucking requirements.

Considerable planning and effort will be required next year to complete the consolidation of our production facilities in Calgary. Furthermore, indications of ongoing excessive competition in the soft-drink field generally will continue to demand extra effort from our sales staff to maintain our base of sales. This increased sales effort will be provided along with a special effort to increase our vending activities. All of this, together with increased efficiencies to be realized from consolidating our production operations, should provide an excellent potential for a further improvement in our performance for 1977.

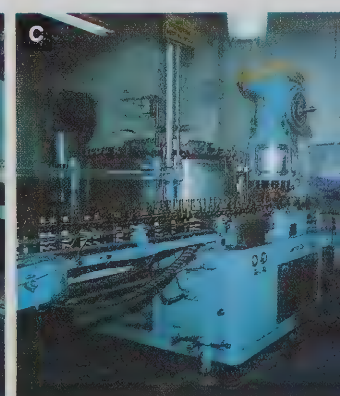
A. Coast Steel Fabricators manufactured this helicopter pad which is being loaded onto the deck of Dome Petroleum's supply ship.

B. Processed cooked meats such as party sticks or smoked sausage are vacuum packed at Gainers' plant in Edmonton.

C. The heart of the bottling process is this 40 valve filler which can fill nearly 350 bottles per minute.

D. W. J. Lafave's subsidiary pasta products company, Magrani Inc., produces several varieties of ravioli and spaghetti sauces under the La Romana label in Montreal.

E. Seven-Up bottles are carefully inspected after filling and capping before they are packed for distribution.



COMMUNICATIONS GROUP

A record year was enjoyed by our Communications Group in 1976 which saw total sales increase from $3,243,134 last year to $3,879,787 and after tax earnings increase from $258,155 to $388,361. Our Communications Group includes a news magazine wholesale distributor in southern Alberta and several cable television systems in western Canada, including Estevan, Weyburn, Lethbridge, Powell River, Chilliwack and Kamloops. AGRA owns all these systems completely except Powell River which is 97 percent owned and Kamloops which is 75 percent owned. Total number of subscribers served at year-end by our companies numbered approximately 35,000 compared with 29,000 last year. This is an increase of nearly 21 percent. During the year we received license renewals from the CRTC for our systems in Chilliwack, Estevan and Weyburn. The Chilliwack system also received permission to extend service to the nearby town of Rosedale.

Our newest cable system, located in Kamloops, has now completed its first year of operations, and has already connected nearly 50 percent of its potential subscribers. As the construction of this sytem is now nearing completion, we anticipate a further significant increase in subscribers for the coming year.

All our cable systems now have color camera equipped studio and mobile facilities to produce local origination programs for the community channel. Several systems have set up Citizen Advisory Committees to help develop program material for the community channel, and to provide a liaison between the cable company and the community. We are very proud of the programs produced by our cable systems and are confident that we are doing a good job of fulfilling our license requirements.

General News, our wholesale magazine and book distribution company, completed a record year for 1976, with approximately a 25 percent increase in both sales volume and earnings. This division has developed a new educational book department with more than 2,000 titles in pocket book or paperback form which are sold to schools, libraries, students and teachers. This new growth area holds great promise for further development.

Early in the year we purchased a 50 percent interest in a new

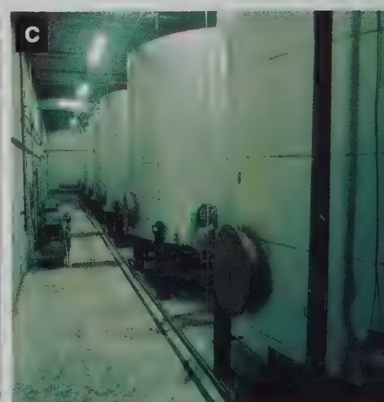
A. An aerial view of Syncrude's 2 billion dollar synthetic crude oil plant which will come stream in mid-1978 and will produce 125,000 barrels per day of synthetic crude Western Caissons installed all the caisson foundations for this major plant in northern Alberta

B. Vacuum packaging beef cuts at Gainers Edmonton plant for the hotel and restaurant trade

C. Edible oil storage tanks are installed indoors under constant temperature and quality control at Lafave's plant in St. Jerome near Montreal. This oil is used to make shortening, pan greases, blended cooking oils and other specialty products for the baking industry

D. Wieners are skinned effortlessly at Gainers' plant in Edmonton

E. The Citizens Advisory Committee voluntarily assists Cablevision Lethbridge in s community cablecasting. From left to right Duncan Rand, chief librarian, Ian Mandin Lethbridge Community College; Toni Zobell Cablevision program director, Bruce Atkinson programming technician; Sarah Torchinsky Cablevision's co-ordinator and Dr. Robert Plaxton Superintendent of Schools



company called Integrated Satellite Information Services Ltd. (ISIS) which is the exclusive supplier of all the black and white Landsat imagery obtained from this satellite as it passes over Canada. The company has been very busy perfecting and installing highly sophisticated equipment which will maximize the information obtained and transmit it anywhere in the country where it may be required. It has also been working hard to develop a market for this new and unique service.

Our attendance throughout the course of last year at many hearings of the Canadian Radio-television and Telecommunications Commission (CRTC) was recently rewarded with the granting of a license for an all-news FM radio network across Canada to a company in which AGRA will have an approximate 50 percent interest. The network license provides for new radio stations to be built in Vancouver, Edmonton, Calgary, Regina, Winnipeg, London, Toronto, Ottawa, St. John, Halifax and St. John's. These stations will all be established over the next three years, starting with stations in Toronto, London and Ottawa which are expected to be on air by the fall of 1977. The all-news format is a new concept in Canada, but there are presently about 100 such stations in the United States, where the concept has existed for several years. Experience with owned and operated stations in this field has been generally excellent and we look forward enthusiastically to this exciting development.

For next year we look forward to a continuation of the established growth pattern for the Communications Group. This will be supported primarily by our General News division and our cable systems which are operating in excellent growth areas such as Chilliwack, Kamloops and Lethbridge. We also look forward to a start on the all-news radio network and to further progress in the development of ISIS. Furthermore, with the recently renewed interest by the CRTC in Pay-TV for Canada, it is clear that our Communications Group will be kept busy with exciting and challenging new projects for a long time.

A. Underground cable installation is progressing very well for Mainline Cablevision in Kamloops.

B. Educational paperback books are displayed by our General News subsidiary at a Book Fair held in conjunction with the Southern Alberta Teachers' Association convention in Lethbridge.

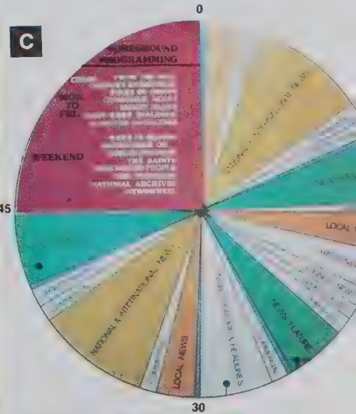
C. A graphic representation of a one-hour programming segmentation to be used in the all-news radio broadcasting format.

D. View of 85 foot diameter antenna used to track the Landsat and NOAA satellites as they streak across the sky over Prince Albert. From this station, ISIS can obtain almost complete coverage of Canada, the Northwest Territories and Alaska.

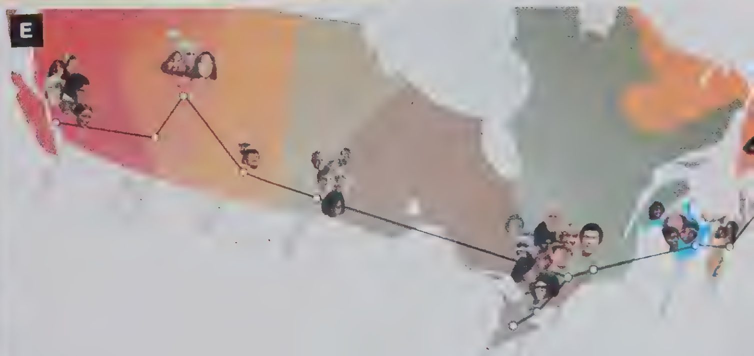
E. Licenses for an all-news radio network include eleven broadcasting stations in all major cities across Canada except Montreal to be built within three years.

A

B

C


D

E


Foundation work by Western Caissons at Calgary's new international airport

Head Office:
1101 CN TOWERS,
SASKATOON, CANADA S7K 1J5
(306) 653-5163

AGRA INDUSTRIES LIMITED

Office of the President:
1201 OLD MILL TOWERS,
39 OLD MILL ROAD,
TORONTO, CANADA M8X 1G6
(416) 231-1946

FOODS GROUP

RESEARCH FOODS (1976) LIMITED.
77 Champagne Drive,
Downsview, Ont. M3J 2C6
(416) 635-8434

GAINERS LIMITED,
80th Avenue & 96th Street,
Edmonton, Alta. T6E 4T4
(403) 439-2011

1221 Vulcan Way,
Richmond, B.C. V6V 1J7
(604) 278-8491

RANCH HAND FOODS,
1221 Vulcan Way,
Richmond, B.C. V6V 1J7
(604) 278-8491

W. J. LAFAVE & SONS LTD.
MAGNANI INC.,
950 Rue d'Industrie,
St. Jerome, Que. J7Z 5V9
(514) 866-1777

AGRA FOODS,
7966 Winston Street,
Burnaby, B.C. V5A 2H5
(604) 291-6484

1101 CN Towers,
Saskatoon, Sask. S7K 1J5
(306) 653-5163

NIPAWIN EDIBLE OILS LIMITED,
Box 580,
Nipawin, Sask. S0E 1E0
(306) 862-4686

6700 Finch Ave. West,
Rexdale, Ont. M9Q 5P2
(416) 678-7523

BEVERAGE GROUP

BLUE LABEL BEVERAGES (1971) LTD.
POLAR BEVERAGES (1970) LIMITED,
1010 - 42nd Avenue S.E.,
Calgary, Alta. T2G 1Z4
(403) 287-0723

CONTAIN-A-WAY LTD.
L B RECYCLING LTD.
LESWASTE SYSTEMS LTD.,
1324 - 44th Avenue N.E.,
Calgary, Alta. T2E 2N8
(403) 277-8591

CHINOOK BEVERAGES LIMITED,
2907 - 2nd Avenue South,
Lethbridge, Alta. T1J 0G8
(403) 327-1310

COMMUNICATIONS GROUP

VALLEY TELEVUE LTD.,
62 Yale Road East,
Chilliwack, B.C. V2P 2P1
(604) 792-4626

POWELL RIVER TELEVISION COMPANY LTD.,
4706 Marine Avenue,
Powell River, B.C. V8A 2L4
(604) 485-4295

MAINLINE CABLEVISION OF KAMLOOPS LTD.,
180 Briar Avenue,
Kamloops, B.C. V2B 1C1
(604) 376-7204

CABLEVISION LETHBRIDGE LTD.,
728 - 13th Street North,
Lethbridge, Alta. T1H 2T1
(403) 328-1222

CO-AX CABLE TV LIMITED,
1229 - 4th Street,
Estevan, Sask. S4A 0W8
(306) 634-3822

117 - 2nd Street,
Weyburn, Sask. S4H 0T7
(306) 842-4236

GENERAL NEWS COMPANY LTD.,
237 - 12th Street B North,
Lethbridge, Alta. T1H 2K8
(403) 327-4220

INTEGRATED SATELLITE INFORMATION SERVICES,
P.O. Box 1630,
Prince Albert, Sask. S6V 5T2
(306) 764-3602

AGRA INDUSTRIES LIMITED,
P.O. Box 880,
13 West River Drive,
Manotick (Ottawa), Ont. K0A 2N0
(613) 692-4385

ENGINEERING GROUP

The Cambrian Group

The Cambrian Engineering Group Limited
CEL Contracting Ltd.
Cambrian Facilities Consultants Limited
Cambrian Processes Limited
Cambrian Project Management Limited

115 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 373-3811

119 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 374-8242

1661 Park Street,
Regina, Sask. S4N 2G2
(306) 525-1345

10554 - 82nd Avenue,
Edmonton, Alta. T6E 2A4
(403) 432-7478

5104 - 82nd Avenue,
Edmonton, Alta. T6E 2A4
(403) 465-0319

5925 - 3rd Street S.E.,
Calgary, Alta. T2H 1K3
(403) 253-7631

112 - 2465 Cawthra Road,
Mississauga, Ont. L5A 3P2
(416) 272-1400

P.O. Box 907,
Timmins, Ont. P4N 7H1
(705) 267-2161

Torchinsky Consulting Group

BBT Geotechnical Consultants Ltd.
Torchinsky Consulting (1976) Ltd.

7708 Wagner Road,
Edmonton, Alta. T6E 5B2
(403) 465-0251

56 Sherwood Cresc.,
Red Deer, Alta. T4N 0A6
(403) 346-5895

1 - 5632 Burbank Road S.E.,
Calgary, Alta. T2H 1Z4
(403) 252-1106

P.O. Box 610,
Prince Albert, Sask. S6V 5S2
(306) 764-4154

121 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 374-6121

160 Myrtle Avenue,
Yorkton, Sask. S3N 1R1
(306) 783-8563

1550 Park Street,
Regina, Sask. S4N 2G1
(306) 523-9626

P.O. Box 62,
Swift Current, Sask. S9H 3V5
(306) 773-4882

The Western Caissons Group

Western Caissons Limited
Western Caissons Incorporated
Greenlees Piledriving Co. Ltd.
Maxum Engineering Enterprises Ltd.
Maxum Structures Ltd.
Meredith Drilling Company Inc.

6700 Finch Ave. West,
Rexdale, Ont. M9Q 5P2
(416) 675-1470

630 Taylor Street,
Vancouver, B.C. V6B 4H3
(604) 681-7142

7708 Wagner Road,
Edmonton, Alta. T6E 5B2
(403) 465-0231

416 Monument Place,
Calgary, Alta. T2A 1X3
(403) 272-5531

121 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 373-3762

1925 - 7th Avenue,
Regina, Sask. S4R 1C1
(306) 525-1379

961 Jarvis Avenue,
Winnipeg, Man. R2X 0A1
(204) 586-8295

150 Creditstone Road,
Maple (Toronto), Ont. L0J 1E0
(416) 669-1663

1950 Fortin Boulevard,
Chomedey (Laval), Que. H7S 1P3
(514) 667-5024

1800 First National Building,
Detroit, Michigan 48226

P.O. Box 2567,
Hyattsville, Maryland 20784
(301) 459-7560

1460 Washington Blvd.,
Suite A-204,
Concord, California 94521
(415) 689-5521

945 South Huron Street,
Denver, Colorado 80223
(303) 722-8926

COAST STEEL FABRICATORS LTD.,
7950 Venture Street,
Lake-City Industrial Park,
Burnaby, B.C. V5A 1V4
(604) 298-6474

BEER PRECAST CONCRETE LIMITED,
110 Manville Road,
Scarborough, Ont. M1L 4J4
(416) 759-4151

Litho'd in Canada by Midwest Litho Limited Saskatoon

AGRA INDUSTRIES LIMITED
1976 THIRTEENTH ANNUAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended January 31, 1977
With Comparative Figures for 1976
(In Thousands of Dollars)

	1977	1976
Source of working capital:		
Operations:		
Net earnings	$1,127	$2,039
Depreciation and amortization of excess cost of subsidiaries	1,389	983
Deferred income taxes — non-current	314	674
Deferred income taxes in companies acquired	418	—
Earnings — equity basis	(120)	111
Amortization of deferred charges — net	27	21
Increase in excess cost of shares of subsidiaries	—	152
	3,155	3,980
Proceeds from sale of shares	1,016	550
Increase in long-term debt — net	1,832	(565)
	6,003	3,965
Use of working capital:		
Payment of dividends	352	346
Purchase of fixed assets — net	2,514	4,147
Fixed assets in companies acquired	1,800	—
Investments	23	50
Investments in companies acquired	257	—
Tax on undistributed income	31	58
Decrease (increase) in minority interest	7	(1)
	4,984	4,600
Increase (decrease) in working capital	1,019	(635)
Working capital, beginning of period	7,066	2,718
Working capital, end of period	$8,085	$2,083

CONSOLIDATED BALANCE SHEET

As at January 31, 1977
With Comparative Figures for 1976
(In Thousands of Dollars)

		1977	1976
Assets:			
Current assets		$33,861	$28,677
Fixed assets, at net book value		25,545	21,672
Investments		2,489	1,734
Other assets		611	376
Excess cost of assets in subsidiaries over book value		8,462	8,448
		$70,968	$60,907
Liabilities:			
Current liabilities		$25,776	$26,594
Long-term debt, net		16,985	11,097
Minority interest in subsidiaries		7	14
Deferred income taxes		3,830	1,700
Shareholders' Equity:			
Capital stock	$10,035		
Retained earnings	14,335	24,370	21,502
		$70,968	$60,907

Midwest Litho Limited

AGRA INDUSTRIES LIMITED

interim report

For the Six Months Ended January 31, 1977

AGRA INDUSTRIES LIMITED

REPORT TO THE SHAREHOLDERS
For the Six Months Ended January 31, 1977

Total revenues for the first six months of fiscal 1977 reached $71,581,000 compared with $68,683,000 for the same period last year. In spite of this increase, total profits before taxes were down to $2,081,000 compared with $3,798,000 last year, and after allowing for full taxes, net profit for the first half of fiscal 1977 was $1,243,000 or 55 cents per share (based on 2,270,037 shares outstanding). This compares with earnings of $1,901,000 or 89 cents per share last year (based on 2,142,039 shares outstanding). An extraordinary net loss of $116,000 resulting from our discontinued edible oil processing operations further reduced net earnings for the current first half to $1,127,000 or 50 cents per share. Last year, an extraordinary gain of $138,000 increased the first half earnings to $2,039,000 or 95 cents per share.

Major problems were encountered in our Engineering Group, where excessive competition due to a substantial decrease in available volume of Canadian work caused a significant reduction in profitability. This perplexing situation was further aggravated by the very cold and difficult winter experienced in eastern Canada, which added substantially to our operating expenses. We are presently taking steps to reduce fixed costs as much as possible in the Canadian operations of our Engineering Group, since we anticipate a continued low volume of engineering and construction work for some considerable time due to the present uncertain economic and political climate. At the same time, we are expanding the scope of our operations in attractive foreign markets such as the U.S.A. and the Middle East. The effect of these moves should become apparent in our operating results in the near future.

The performance of our Foods Group was somewhat mixed during the first half. Our meat packing and specialty foods operations achieved very satisfactory results, but our margarine and shortening operations were disappointing because of extremely competitive pricing policies which developed early in the year. However, industry prices appear to be firming which should provide some improvement in operating results during the balance of the year.

Both our Beverage and Communications Groups performed satisfactorily in the first six months of 1977 and we anticipate a continuation of good results from these companies during the second half. Institution of the recently announced ban on saccharine starting next July is expected to affect our diet soft drink business to some extent. However, new sugar-reduced formulations are already being developed and the overall reduction in sales volume caused by the ban should be less than five percent.

Permission was recently granted by the Anti-Inflation Board to increase our regular quarterly dividend payment from 8 cents to 9 cents on Class A Common shares and from 6.8 cents to 7.65 cents on Class B Common shares payable out of tax paid undistributed surplus. This payment will be forwarded to shareholders of record on March 11th, 1977 under separate mail by the end of March, 1977.

Sincerely yours,

B. B. Torchinsky,
President.

Saskatoon,
March, 1977.

CONSOLIDATED STATEMENT OF EARNINGS
For the Six Months Ended January 31, 1977 With Comparative Figures for 1976 (In Thousands of Dollars)

	1977	1976
Gross Revenue:		
Foods Group	$39,709	$38,079
Engineering Group	24,119	24,222
Beverage Group	5,582	4,488
Communications Group	2,171	1,894
	$71,581	$68,683
Expenses:		
Costs other than the following	$66,255	$62,801
Depreciation	1,389	983
Interest and bank charges	1,852	1,098
Directors' fees and expenses	4	3
	$69,500	$64,885
Earnings before corporation income taxes	$ 2,081	$ 3,798
Provision for corporation income taxes	958	1,785
	1,123	2,013
Minority interest in earnings of subsidiary	—	1
	1,123	2,012
Equity in earnings of non-consolidated subsidiaries	120	(111)
Earnings before extraordinary items	1,243	1,901
Extraordinary items	(116)	138
Net Earnings	$ 1,127	$ 2,039
Earnings per share:		
Before extraordinary items	$ .55	$ .89
After extraordinary items	$ .50	$ .95
Fully diluted earnings per share	$ .47	$ .88